

To: Codrington, Ann[Codrington.Ann@epa.gov]
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Clean Energy Report's Weekly Analysis explains the complex interrelationships of the week's top news stories and points you to the most important developments in environment and energy policy. Backed by links to our exclusive articles and documents, the Weekly Analysis offers a fresh take on the essential trends, themes and behind-the-scenes action that are shaping clean-energy policy.

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EPA Weighs Inclusion Of Truck Trailers In New GHG Rule . . . API Warns Congress Against Pursuing LCFS . . . Obama Allies Launch Campaign To Defend Utility GHG Rule Plan . . . EPA Drops Fracking Groundwater Contamination Study . . . EPA Seeks Swift Resolution On Air Transport Policy Doubts . . . Senators Float Energy 'Race To The Top' Incentive Plan . . . **More on these and other developments below:**

Vehicles/Fuels

EPA Weighs Truck Trailer GHG Limits; API Opposes LCFS In Lieu Of RFS

President Obama's sweeping plan to curb climate change includes a vow to develop new heavy-duty greenhouse gas (GHG) and fuel economy standards for trucks in model year (MY) 2018 and later, and EPA is weighing first-time standards for truck trailers as part of that rule.

Although much of the focus on Obama's plan is on the pending agency stationary source rules to curb GHGs from power plants, any effort to regulate trailers under the heavy-duty rule could prompt trucking industry push-back. The sector won an exemption for trailers from the first-time fuel economy and GHG rules issued in 2011 for MY 2014-2018 vehicles.

"We will look at trailers" in developing the MY18 rule, said EPA's Office of Transportation & Air Quality Director Christopher Grundler at the June 26 Alternative Clean Transportation (ACT) Expo held in Washington, D.C. EPA has launched internal talks on the rule and will soon meet with officials from California, the energy department and others to discuss options to boost trucks' efficiency. California has already implemented rules requiring trailers more than 53 feet long to be equipped with aerodynamic devices and rolling-resistant tires to reduce GHGs.

If EPA proposes to regulate trailers in the upcoming rule, it could prompt another fight over a major agency fuel rule, following criticism from refiners over the agency's renewable fuel standard (RFS) and the proposed "Tier III" fuel rule to reduce sulfur limits in gasoline.

The American Petroleum Institute is urging Congress to repeal the RFS, saying its renewable fuel production goals are unachievable. But the group is warning lawmakers against pursuing a low-carbon fuel standard (LCFS) as a replacement program if the repeal push succeeds.

"Both the RFS and LCFS represent policies that pick 'winners and losers' and are impractical and ineffective ways to diversify fuel use in the transportation sector," API's Robert Greco wrote in a June 21 letter to the House Energy & Commerce Committee. "In addition, the end results of both a RFS and a

LCFS are similar in that both are likely to impose large costs on the transportation sector with adverse ripple effects throughout the entire economy,” Greco wrote.

California is fighting challenges to its LCFS, which supporters say is a model for a potential federal program. And a new study funded by alternative-fuel industry organizations claims that biofuels are advancing at a pace to enable fuel suppliers to meet all stages of the state's LCFS is escalating the debate over the regulation. While the clean-fuel industries are touting the study as showing enough supply of alternative fuels and bankable credits will be available to provide regulated companies several options to meet the LCFS through 2020, oil industry representatives point out that the study fails to include any information about how much the fuels will cost.

Meanwhile, API continues to issue studies that it says undermine the cost-benefit rationale for the Tier III proposal, ahead of a July 1 deadline for groups to comment on the rule.

But environmentalists and other advocates are challenging API-backed studies that aim to minimize the air quality benefits of the proposal and warn of significant costs under the rule. The critics of the studies say in recent comments to EPA that the data are irrelevant, misleading or consistently overestimate costs and underestimate benefits.

Related articles:

- [EPA Weighs Including Truck Trailers In Next Heavy-Duty Vehicle GHG Rule](#)
- [API Warns Congress Against Pursuing LCFS If Bid To Repeal RFS Succeeds](#)
- [Pro-Biofuels Outlook Study Escalates Debate Over Future Of California LCFS](#)
- [EPA 'Tier III' Advocates Doubt API Data Criticizing Rule's Costs, Air Benefits](#)

Climate Change

Obama Allies Launch Campaign To Defend Plan To Curb Utilities' GHGs

In addition to mobile source GHG rules, President Obama's second-term climate agenda includes “market-based” EPA rules to cut power plant GHG emissions -- and administration allies are launching an aggressive campaign to build support for the stationary source rules.

The advocacy campaign by Organizing for Action -- a nonprofit political arm created to defend Obama's policies -- comes as key Senate GOP critics of climate controls are vowing bills to block EPA from implementing the president's order for new GHG rules for power plants. And a key House Republican appropriator says EPA's pending fiscal year 2014 funding bill will be a vehicle for legislative provisions to block much of Obama's plan.

But Obama's allies say they can win the political fight over the climate change agenda, which in addition to the utility GHG rules includes a new round of fuel economy and GHG standards for heavy-duty vehicles; promotion of renewable sources of power such as wind and solar; a host of climate adaptation measures; and several other steps.

Obama's charge to EPA for the power plant GHG limits includes authorization to use “market-based instruments” that many states are already using while taking other steps to limit costs, suggesting that the agency will have maximum flexibility as it crafts rules or guidance for states to mandate the cuts. While the flexible approach could open the door to a possible deal that some industry sources have suggested

might be possible on EPA power plant rules, the president's proposal is drawing strong opposition from GOP lawmakers, who are charging that the plan will increase energy costs. They are vowing to further question Gina McCarthy, the nominee to lead the agency, over the proposal and are seeking to force Democrats to vote on the issue.

The administration's focus on flexible approaches, which is assumed to include the use of cap-and-trade, is contained in a June 25 memo Obama sent to EPA that sets deadlines for the agency's rules and requires officials to ensure that they “tailor regulations and guidelines to reduce costs,” while taking into account “other relevant environmental regulations and policies that affect the power sector.” The memo requires EPA to propose a new source performance standard for existing plants by June 2014 and finalize the rule by June 2015. It requires the agency to repropose a plan for new power plants by no later than Sept. 20, and finalize that rule “in a timely fashion.”

In California, regulators' release of a refinery GHG and energy efficiency audit is sparking debate over the need for new state rules to curb the sector's carbon emissions, with industry arguing the audit shows the sector has taken significant steps to curb GHGs while environmentalists say it underscores the need for further emissions cuts from refineries.

Related articles:

- [Obama Allies Launch Campaign To Defend Climate Plan From GOP Attacks](#)
- [Obama Memo To EPA Endorses 'Market-Based' Power Plant GHG Limits](#)
- [California Audit Sparks Debate Over Need For New Refinery GHG Policies](#)

Natural Gas

EPA Drops Wyoming Fracking Groundwater Study, Sparking New Criticism

EPA's recent decision to drop a controversial draft study suggesting that hydraulic fracturing was responsible for groundwater contamination in Pavillion, WY, is sparking criticism from GOP lawmakers who accuse EPA of being on a “witch hunt” against the oil and gas extraction process, as well as environmentalists who say a remaining state investigation is inadequate and biased.

“While EPA stands behind its work and data, the agency recognizes the State of Wyoming's commitment for further investigation and efforts to provide clean water and does not plan to finalize or seek peer review of its draft Pavillion groundwater report released in December, 2011,” EPA Region VIII said June 20. The move is significant because the Dec. 8, 2011 draft report, “Investigation of Ground Water Contamination near Pavillion, Wyoming” was EPA's first public acknowledgment that reported contamination of an aquifer was “likely” related to fracking.

But Encana, the company whose drilling operations are closest to the aquifer, oil and gas trade groups, Republican lawmakers and others widely charged that the study was flawed, citing a host of concerns including that EPA's sampling methodology could have contributed to the contamination, that the agency ignored data showing evidence that contaminants were naturally occurring, and that the findings relied on data sets that are too narrow to support the draft conclusions.

Those criticisms also sparked concerns about the methodology underlying the agency's ongoing congressionally directed study of whether fracking impacts drinking water supplies, which EPA recently indicated it will finalize in 2016 -- two years later than the 2014 projected timeline.

EPA had slated a peer review of the draft Wyoming study for after the close of a Sept. 30 comment period, possibly in response to the concerns. But now, the agency says it will instead support the state's Department of Environmental Quality and Wyoming Oil and Gas Conservation Commission, which plan to issue a final report by Sept. 30, 2014.

GOP Sens. David Vitter (R-LA), ranking member on the Senate environment panel, and James Inhofe (R-OK) said in a June 21 press release that EPA is now "0 for 3" in its groundwater investigations, citing Texas and Pennsylvania reports in which the agency initially suspected oil and gas drilling of contaminating drinking water. "The EPA has been on a witch hunt to shut down hydraulic fracturing, but yet again the evidence has determined it is safe," Vitter said.

Environmentalists, though, are criticizing EPA's decision. In a June 21 statement from Earthworks, Powder River Basin Council, Western Organization of Resource Councils and Pavillion Area Concerned Citizens, the groups say the decision is akin to the "fox investigating the henhouse," referring to the ongoing state agency investigation.

In another important fracking development, California lawmakers plan to expand a bill creating fracking rules by pushing for strict controls on using acid for drilling wells due to fears that the process known as "acidization" could pose major environmental risks.

Some experts say if California expands its proposed fracking rules to include acid-based well stimulation treatments it would become a pioneer in regulating the oil and gas boom happening across the United States. Many stakeholders are closely watching the state's efforts to regulate fracking as a model and because the state is a U.S. leader in oil production and is home to the Monterey formation, which contains an estimated 15.4 billion barrels of oil.

Related articles:

- [EPA Drops Wyoming Fracking Groundwater Contamination Assessment](#)
- [California Lawmakers Push Strict Controls On Acid Used For Drilling Wells](#)

Coal

EPA Seeks Swift Air Transport Policy Resolution As High Court Weighs CSAPR

EPA aims to resolve ongoing technical, legal and policy uncertainties over its next air transport policy even as the Supreme Court has agreed to take up the agency's appeal of a ruling that scrapped its Cross-State Air Pollution Rule (CSAPR). Resolving the various uncertainties remain vital because a "speedy" end to the CSAPR legal fight is unlikely, says a top EPA official.

Janet McCabe, deputy assistant administrator in EPA's Office of Air & Radiation, told the June 13 annual meeting of the Ozone Transport Commission that "much technical work" remains on a possible replacement for CSAPR, and acknowledged that "EPA will need to make some calls at some point on a direction that some won't be happy with" given a split among states on how the agency should craft an air transport policy.

McCabe spoke prior to the Supreme Court's June 24 announcement that it will hear EPA's appeal of a divided lower court ruling that overturned the CSAPR air trading program.

Congressional Democrats lauded the high court's decision to hear *EPA, et al. v. EME Homer City, et al.*, in which the agency is urging the court to overturn the U.S. Court of Appeals for the District of Columbia's 2-1 ruling from August that said EPA exceeded its Clean Air Act authority with CSAPR, with the lawmakers saying the rule is vital to cut pollution from upwind states.

Meanwhile, environmentalists and a power industry group have filed lawsuits challenging EPA's recently revised utility maximum achievable control technology air toxics rule for newly constructed power plants, a rule that the agency reconsidered based on industry complaints that the original version was based on flawed data. The filings do not outline reasons for the suits.

Related articles:

- [EPA Targets Air Transport Policy Doubts In Lieu Of 'Speedy' CSAPR Ruling](#)
- [Supreme Court Agrees To Hear CSAPR Appeal, Denies E15 'Standing' Suit](#)
- [Groups Sue EPA Over Revised New Source Utility Air Toxics Rule](#)

Congress

Senators Float 'Race To The Top' Energy Efficiency Program For States

Two Democratic senators have introduced a bill to implement a “Race to the Top” voluntary incentive program to boost energy efficiency programs by states, an idea that one source says is “separate but supporting” of President Obama's similar plan outlined in the Department of Energy's fiscal year 2014 appropriations legislation.

The bill, S. 1209, introduced June 20 by Sens. Mark Warner (D-VA) and Joe Manchin (D-WV), was scheduled to be discussed at a June 25 Senate Energy & Natural Resources Committee hearing where senators were expected to also review a host of other energy efficiency proposals. All of the bills under consideration are seen as vying for inclusion as amendments to a broader efficiency bill introduced by Sens. Jeanne Shaheen (D-NH) and Rob Portman (R-OH).

S. 1209 would provide congressional approval of a “Race to the Top” efficiency program given lingering uncertainty about whether Obama's FY14 proposed program would require new legislation. The administration in its budget proposal claimed the program is already authorized under several existing laws.

Related articles:

- [Senators Introduce Bill To Create Energy 'Race To The Top' Incentive Plan](#)

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Mailing address: 1919 South Eads Street, Suite 201, Arlington VA 22202

Telephone: 703-416-8500 or 1-800-424-9068

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